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AMORE PACIFIC CORP.

AMOREPACIFIC Corporation 2Q 2015 Earnings Release

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AMOREPACIFIC
70 Years of Beauty Creation

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AMOREPACIFIC Corp. has adopted the K-IFRS since 2011.

Sales up 26.4% to KRW 2,399.8bn, OP up 48.7% to KRW 486.1bn

Sales & OP Division

KRW bn

	1H 2014	% of Sales	1H 2015	% of Sales	YoY(%)
Sales	1,898.5	100.0%	2,399.8	100.0%	26.4%
Domestic	1,515.8	79.8%	1,852.8	77.2%	22.2%
Cosmetics	1,282.2	67.5%	1,602.1	66.8%	24.9%
Mass & Sulloc	233.6	12.3%	250.7	10.4%	7.3%
Overseas	382.7	20.2%	547.0	22.8%	42.9%
	1H 2014	OPM	1H 2015	OPM	YoY(%)
Operating Profit	326.8	17.2%	486.1	20.3%	48.7%
Domestic	284.7	18.8%	406.1	21.9%	42.6%
Cosmetics	259.4	20.2%	374.8	23.4%	44.4%
Mass & Sulloc	25.3	10.8%	31.4	12.5%	24.0%
Overseas	42.1	11.0%	80.0	14.6%	90.1%
Net Profit	235.7	12.4%	372.9	15.5%	58.2%

Sales up 23.7% to KRW 1,195.4bn, OP up 37.7% to 208.1bn

Sales & OP by Division

KRW bn

	2Q 2014	% of sales	2Q 2015	% of Sales	YoY(%)
Sales	966.7	100.0%	1,195.4	100.0%	23.7%
Domestic	776.3	80.3%	917.7	76.8%	18.2%
Cosmetics	674.6	69.8%	805.9	67.4%	19.5%
Mass & Sulloc	101.7	10.5%	111.8	9.4%	9.9%
Overseas	190.4	19.7%	277.7	23.2%	45.9%
	2Q 2014	OPM	2Q 2015	OPM	YoY(%)
Operating Profit	151.1	15.6%	208.1	17.4%	37.7%
Domestic	132.7	17.1%	182.6	19.9%	37.6%
Cosmetics	124.0	18.4%	172.7	21.4%	39.3%
Mass & Sulloc	8.7	8.6%	9.9	8.9%	13.8%
Overseas	18.4	9.7%	25.5	9.2%	38.6%
Net Profit	112.8	11.7%	161.5	13.5%	43.2%

Luxury

Increase in brand attractiveness through enhancement of our core products

- Launch of 4th generation Sulwhasoo, 5th generation Rouge Holic and In-house development of Olympia Le-tan has translated to stronger make-up category

Enriched digital platform to support unique stories for each brand

- Sulwhasoo heritage pine tree essence story, Hera's Seoulista Star film, Primera's Love the Earth and VB's inner beauty solution digital contents have all boosted consumer awareness

New launches in baby and inner beauty categories have added new dimensions to our portfolio as well as generated untapped demand

- Launches include Primera's "Baby sun-cushion," VB's "Pro-biotic" and VB's "Joy-step" (Joint Soothing Solution)

Continued investment in educating and training of door-to-door counselors has contributed to more quality growth

- Consolidated programs such as 'Design Your Dream' which has better aligned counselors goals with the company's leading to more meaningful training and results

- Developed a digital platform mainly geared to increase transparency and communication between all entities: company, counselor and client

A more consumer-oriented Department Store channel has enhanced consumer satisfaction and yet again reinforced the company's position as the market leader

The combination of increase in foreign travel, expansion of overseas duty free stores, and robust growth in online duty free sales has all led to substantial gains in sales

Premium

Various marketing initiatives have been launched to highlight brands' competencies as well as boost customer experience

- Leveraged social networking services for Laneige's "Sparkling Beauty," Iope's "Bio-science" and Air cushion products to induce consumer awareness

- Reinvigorated Mamonde's flower story (held flower beauty seminars and upgraded packaging design to better accentuate brand story)

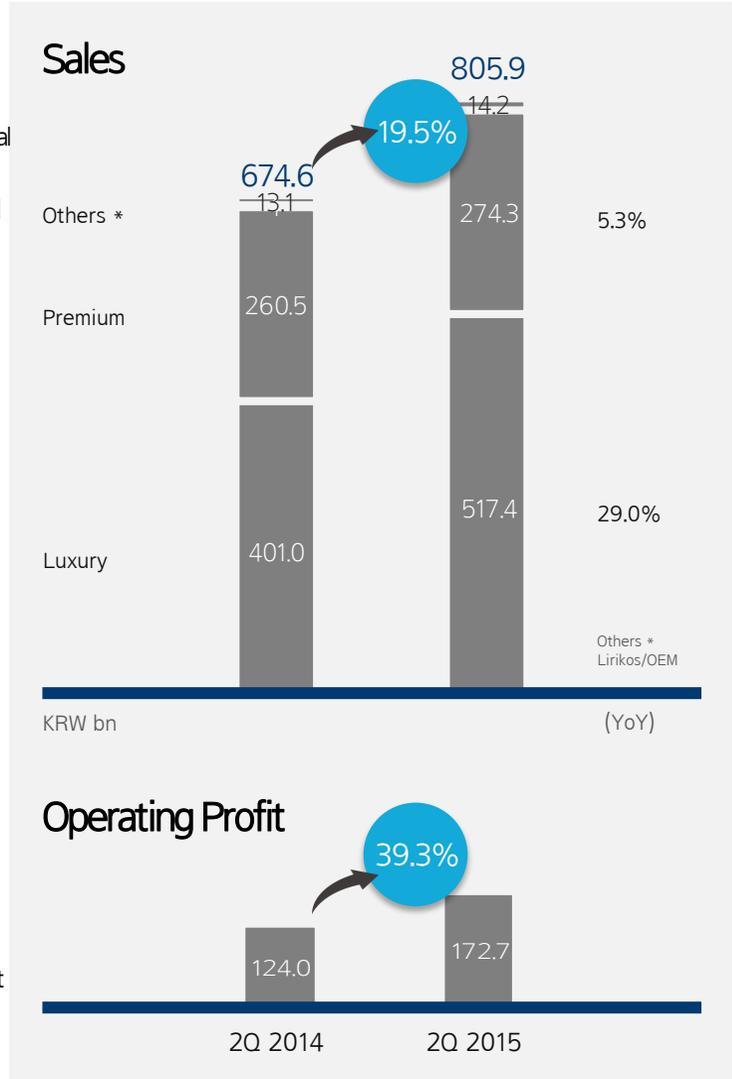
Digitally renewed Aritaum stores to allow better consumer accessibility

- Empowered mobile shopping interface, added a digital guide in various languages in top performing stores and launched a pilot-test of Omni-channel store(beta).

Strengthened digital platform to support sustainable digital sales

- Optimized operating systems in commercial websites and mobile application to better realign the ecommerce coverage

- Proliferation of Cynanchum wilfordii(Baek su oh) product scam have dampened TV shopping sales



Mass

Premium product launches coupled with channel diversification has led to better results

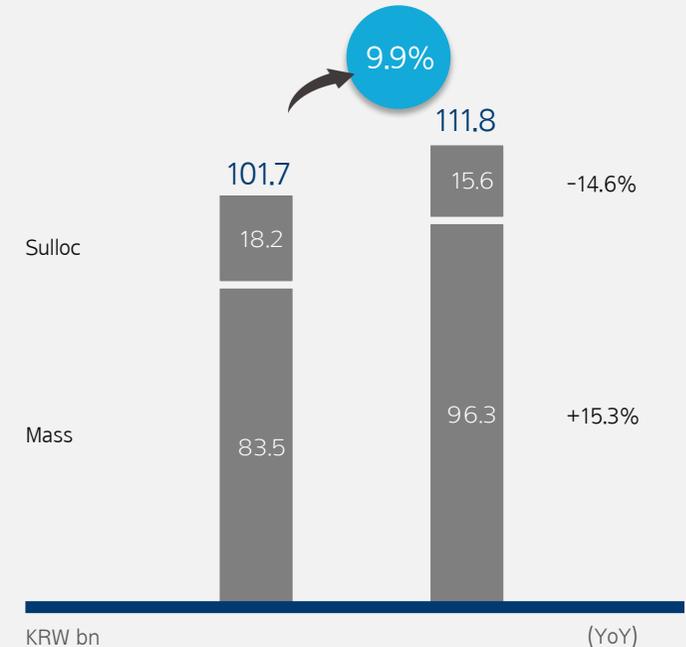
- K-Pop infused product launches have given each brand more appeal and competitive edge (14th Mise en scene film festival, Hello bubble X Girls day)
- Attained wide popularity of Hair damage care products (Mise en se perfect repair serum) which also boosted premium product sales
- Launched more innovative product lines (Ryo's ginseng serum base product line) in the hair segment category through leading edge hair-prevention technology
- Development of new channels and outlets (Travel retail, Convenience store, Mass outlet and etc) to complement a more diverse product portfolio

Sulloc

Revamped channel distribution and introduced new premium products to boost O'sulloc brand

- Increased consumer awareness through installation of new value-added products and upgraded retail competencies through core channels (department stores, O'sulloc Tea Stone, website and etc) thereby, enhancing O'sulloc brand equity
- Recalibrated distribution channels (e.g. exit from mart channel) to focus more on 'quality' growth
- Introduced a new line of tea category known as "Ice blending tea" which marries tea extraction and fragrance through tea coating technology

Sales



Operating Profit



Growth markets

Strengthened market position through various on/offline marketing initiatives while diversifying brand portfolio to enhance consumer awareness

[China]

- New launches to bolster brand portfolio (Iope and Ryo)
- VIP marketing for Sulwhasoo has led to more exposure in the press, both online and offline, thereby strengthening its luxury base
- Heavy investments were made in the promotion of various Lanienge marketing initiatives (increased TV, digital and outdoor billboards ads) to solidify its position as leader of K-Beauty cosmetic brand
- Renewal of Mamonde stores translated to more consumer awareness
- Expansion of Innisfree stores as well as superb performance of best sellers (Greentea seed serum, Hanran cream, Vocanic pack, and Cutshion line) has led to strong sales overall

[Asia (ex China & Japan)]

- Increase in marketing activities for Lanienge and Sulwhasoo for ASEAN countries has boosted both brand image and appeal
- Innisfree has penetrated into Thailand and bolstered its brand positioning in other countries paving the way for future launches in the ASEAN region

Developed markets

[US] Heavy investments across all channels and expansion of stores have offset overall profitability

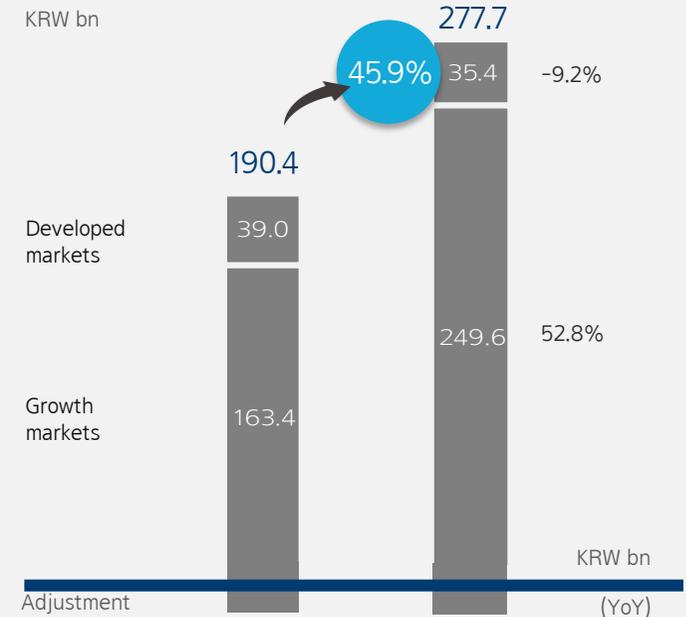
- Rise in investment cost regarding the opening of AMOREPACIFIC brand store in Bloomingdale and Annik Goutal flagship store

[France] Neutralized decrease in domestic consumption and unfavorable currency translation with better channel realignment and efficient cost management

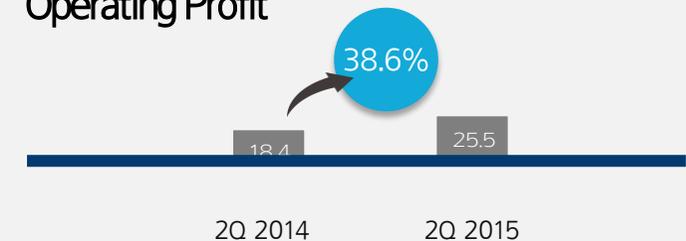
[Japan] Loss in sales due to revamp of channels in Japan was offset with Etude's solid performance coupled with strong online business to fight impending loss

*Aritaum= Amore shop

Sales



Operating Profit



Income Statement

KRW bn

	2Q 2014		2Q 2015	
Sales	966.7	100.0%	1,195.4	100.0%
Gross Profit	715.9	74.1%	909.0	76.0%
SG&A expenses	564.8	58.4%	700.9	58.6%
Operating Profit	151.1	15.6%	208.1	17.4%
Non-operating Profit/Expenses	(5.1)		4.5	
Profit before tax	145.9	15.1%	212.6	17.8%
Consolidated net income	112.8	11.7%	161.5	13.5%

Statement of Financial Position

KRW bn

	2014.12	2015.06
Assets	3,854.6	4,191.3
Current assets	1,427.3	1,686.4
Non-current assets	2,427.3	2,504.9
Liabilities	976.3	1,000.1
Current liabilities	651.1	796.4
Non-current liabilities	325.1	203.7
Shareholder's Equity	2,878.3	3,191.2
Capital stock	34.5	34.5
Additional paid-in capital	712.7	712.7
Capital surplus	7.8	7.8
Other components of equity	(19.5)	(18.4)
Accumulated other comprehensive income	(13.1)	(11.0)
Retained earnings	2,136.4	2,441.4
Non-controlling interest	19.6	24.1



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